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CENTRAL INTELLIGENCE AGENCY

REPORT

INFORMATION REPORT

CD NO

COUNTRY East Germany
SUBJECT Proposed Measures for Reducing and Controlling
the Flow of Eastmarks to West Berlin

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1. State organizations disburse each month total cash payments in the form of salaries, pensions, fees, etc., to persons residing in West Berlin and West Germany as follows:

| | |
|--|------------------|
| State Commission for Cultural Matters | 426,000 |
| State Radio Committee | 235,000 |
| State Commission for Cinematography | 397,000 |
| Office for Literature and Press | 343,000 |
| Berlin Theater | 30,000 |
| Publicity Committee (Foerderungsausschuss) | 13,000 |
| Subsidies, remunerations and fees | 29,000 |
| Trust funds and maintenance fees | 80,000 |
| German Academy of Sciences and Humboldt University | 659,000 |
| Karlshorst race track and betting service | 67,000 |
| German Democratic Women's Union | 10,000 |
| Berlin Physician's Insurance Institute (VAB-erste) | 3,000 |
| RR Retirement Fund and Berlin Insurance Institute | 1,275,000 |
| | <u>3,627,000</u> |

2. An SED Politburo decree of unspecified date concerning measures to be taken to safeguard the circulation of money called for the reduction of cash payments to West Berlin residents by state organizations. Representatives of the Deutsche Notenbank worked out suggestions to decrease the flow of money to West Berlin in conjunction with the following representatives of state organizations:

| | |
|-------------------|--|
| Moltzhausen (fnu) | State Commission for Cultural Matters |
| Weiss (fnu) | State Radio Committee |
| Schwab (fnu) | State Commission for Cinematography |
| Apelt (fnu) | Office for Literature and Press |
| Mentschel (fnu) | Section chief, Ministry of Finance |
| Mentschko (fnu) | Treasurer, East Berlin Municipal Council (Magistrat) |

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3. A cut of 2,145,000 DME, reducing total monthly payments of cash to 1,482,000 DME, was proposed. By the end of 1953, the monthly cash expenditures of state organizations concerned are to be reduced to the following levels:

| | |
|---------------------------------------|-------------|
| State Commission for Cultural Matters | 250,000 DME |
| State Radio Committee | 118,000 DME |
| State Committee for Cinematography | 260,000 DME |
| Office for Literature and Press | 100,000 DME |
| Berlin Theater | 15,000 DME |

4. Sums credited to West Berlin residents by the Publicity Committee are henceforth to be remitted through a non-cash account (bargeldlos). Sums remitted in this manner must have the prior approval of the Deutsche Notenbank. The payee must have approval to buy goods in East Berlin.
5. Relief payments, pensions and fees are to be remitted through accounts under the control of the Deutsche Notenbank. Payee must present a valid authorization to buy in East Berlin.
6. Payments from trust funds and maintenance payments will be remitted only through accounts of the Deutsche Notenbank upon presentation of a valid authorization to buy in East Berlin.
7. The German Academy of Science and Humboldt University are to make cash payments only to West Berlin residents holding valid labor cards (Betriebsausweis) for purchases in East Berlin.
8. Cash payments made to maintain the Earlshorst race track and the betting service are to be continued without a cut.
9. Payments to the Berlin Landesverband of the Democratic Women's Union are to be continued for political reasons.
10. The Berlin Physician's Insurance Institute is to continue payments to West Berlin doctors who work in East Berlin hospitals and hold a valid labor card.
11. Cash payments to West Berlin residents from RR retirement funds and Berlin Insurance Institute funds are to be stopped immediately. Pension payments due West Berlin residents are to be transferred to Deutsche Notenbank accounts.
12. After 1 July 1953, wages and salaries are to be paid only to the following classes of West Berlin residents:
- Workers in nationalized plants
 - Workers in trustee-managed plants (Treuhandbetrieb)
 - Workers of private plants that have contracts with nationalized plants and trustee-managed plants. (Approximately 30,000 workers with an average monthly pay of 400 DME).

In addition, these workers must hold valid labor cards authorizing purchases in East Berlin.

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13. The East Berlin Municipal Council is to undertake a review immediately of the present system of issuing labor cards to ensure that all qualified workers receive them and that adequate controls exist to prevent illegal use of labor cards for making illegal purchases in East Berlin.

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COMMENT: Present East German government policies indicate that many stringent control measures have been or are being lifted. Measures permitting West Berlin residents to receive pay, pensions or fees from East Berlin will probably be sanctioned. The present report, though no longer valid, is disseminated to give an insight into what appears to have been a critical currency and supply situation and also to show the mechanics of economic control as planned and exercised by a Communist government.

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